

North York Moors National Park Authority

21 March 2016

Budget Estimate 2016/17

1. Purpose of the Report

- 1.1 To agree the budget for 2016/17 and give an initial assessment of the pressures on the budget for the years thereafter.

2. Background

- 2.1 The Authority is legally required to approve a “balanced budget” for the 2016/17 financial year by 31 March 2016. This report contains the current proposal for the 2016/17 budget for Members to discuss. There are some changes to the draft budget approved as a working document at FRASC on 1/2/16 which represented a continuation of current plans and priorities.
- 2.2 Budget development until recently had been based on assuming at least a freeze in National Park Grant, with an understanding that the Authority was likely to have to respond to further significant reductions in its core grant. Up until this point officers have been prioritising income generation over spending. As a result of this income generation has been successful, but some budgets are underspent.
- 2.3 In January 2016 it was confirmed that the funding for National Parks would be protected in real terms for the next four years. The National Park Authority grant for the years 2016/17 to 2019/20 is set out in the table below.

National Park Authorities Grant 2016/17 to 2019/20					
	2015/16	2016/17	2017/18	2018/19	2019/20
% Increase		1.72%	1.72%	1.72%	1.72%
	£	£	£	£	£
National Park Authorities Grant	4,092,793	4,163,189	4,234,796	4,307,634	4,381,726
Amount of Increase		70,396	71,607	72,838	74,092

- 2.4 As discussed with Members, officers intend continuing the drive to increase income and this, coupled with the underspend in 2015/16 and the favourable National Park Grant position going forward, mean that there are significant resources for Members to deploy on their chosen priorities for the next Business Plan. It is intended that Members will have ample opportunity to discuss this over the next few months at Seminars and Committee meetings.

3. 2016/17 Budget

- 3.1 The next table summarises the position in relation to expenditure and income for the current financial year 2015/16 after the approved utilisation of reserves, and gives the current projection for 2016/17. The detail supporting these figures can be found at **Appendix 1**.

	2015/16 Latest	2016/17
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	RE Budget £'000	Indicative Budget £'000
Gross Expenditure	6172	6,406
DEFRA Grant	-4093	-4163
Other Income	-2252	-2227
Transfer from/to (-/+) Various Reserves	173	-16
Net Budget	0	0

- 3.2 The current estimate for 2016/17 assumes a pay award of 1% and incorporates the changes to National Insurance Rates which are implemented in April 2016.
- 3.3 In terms of income, the 2016/17 budget reflects the agreed targets for increases in earned income with a few minor alterations to reflect the 2015/16 income projections and known operational factors (see below). The overall figure has been increased since FRASC by £29k to reflect the challenge targets set in the Property Strategy.. It should be noted that the Potash income figure does not include the potential large sums which would be generated if the construction of the York Potash project was to commence. However, the income does include a payment which is due to the Authority whatever the outcome might be. In terms of external grant, the TEL project has been included since there is optimism around the chances of success and if approved the project is due to commence immediately. LEADER, Pearl Mussel the Monument Management Scheme and other approved grants are also included in the 2016/17 Indicative Budget.
- 3.4 Officers anticipate further opportunities will be available to increase external grant income in 2016/17 and expect the overall income collected in 2016/17 to exceed projected income for 2015/16.
- 4.4 **Updated Expenditure Budgets**
- 4.1 FRASC supported officers' recommendation that additional expenditure be added to the 2016/17 budget in light of:-
- The success in generating increased income,
 - The removal of the threat of significant reductions in core grant and
 - The pattern of underspend over the last few years.

The proposals were:

- New Local Plan (and Management Plan review) - £35k towards the required evidence base etc.
 - Sutton Bank - £20k for feasibility study.
 - Match funding, invest to save, work on the Trust etc. 45k.
 - Tour De Yorkshire - £13k towards promoting the events and supporting communities.
- 4.2 These are all one-off items which will not inhibit the ability of Members to direct resources to their chosen priorities in the Business Planning process. They are also all activities which either satisfy agreed priorities or reflect Members' recent decisions.
5. **Reserves**

5.1 FRASC agreed an interim approach to Reserves as set out below:

- **General Reserves** are to assist in ‘smoothing’ the impact of any unforeseen budgetary pressures and act as a safeguard against variations in earned income and non-discretionary expenditure from year to year.
- **Earmarked s106 Reserves** which are required to comply with accounting regulations in relation to any monies received from developers which remains unspent at the end of each financial year.. Formal s106 agreements must clearly specify the purpose and a timeframe within which money received must be spent (often spanning several financial years) and in the eventuality that these criteria are not met the unspent money must be reimbursed to the developer.
- **Emergency Reserve** of £320k (increased from £220k in June 2015) to deal with the costs associated with dealing with exceptional and unexpected events.
- **Earmarked Capital** and Maintenance reserves are to fund future planned one off expenditure such as essential repair and equipment replacement costs.
- **Earmarked Revenue Reserves** are to cover specific match funding commitments for externally funded projects which span a number of financial years.

At the year-end an amount is transferred to reserves to cover work in progress on projects which the Authority is contractually committed to but which are not sufficiently complete to create an accrual in the accounts (carry forward). These sums are immediately ‘reversed’ into the budget in the following financial year following approval by this committee.

5.2 As a result of prudent contingency planning the successful drive to increase income and achieve additional savings, and effective regulation of finance the projected end of year reserve in 2015/16 is £1,616k as reported to FRASC on 1 February 2016. FRASC agreed that revenue reserves should be replenished in 2016/17 given

- That the level of reserves held by the Authority is significantly lower than the reserves held by some comparator organisations.
- The need to drawdown the match funding for ‘This Exploited Land’ in 2016/17.
- The probability that significant further match funding will be needed for other projects including the ambitious aspirations in relation to large scale projects such as Sutton Bank prior to major decisions as part of the Business Planning process.

The table below proposed an allocation of reserves which was approved.

	2015/16 RE Budget £'000	2016/17 OE Budget £'000
Opening Reserves Balance	1,300	1,616
Use of General Reserves/Transfer	316	-16
Predicted Reserve Balance at year-end, split between:	1,616	1,600
- General Reserves	636	870
- Earmarked s106 Reserve	135	135
- Emergency Reserve	320	320
- Earmarked Capital Reserves	275	275
- Earmarked Revenue Reserves	250	0

5.3 While £1,616k is the current expected year-end reserve balance for 2015/16 this is dependent on the level of any revenue budget under-spends by the Authority and the extent to which these under-spends have to be allocated to ear-marked reserves (because they represent commitments to spend sometime in the future) or general reserves. Officers will provide an update at the meeting.

6. Changes to the proposed budget since FRASC

6.1 The table below details the main changes to the OE since the FRASC Report in February.

	Reported to FRASC February 2016	Revised OE 2016/17	Variance
	£	£	£
Gross Expenditure	6,322,800	6,406,400	83,600
Gross Income	-2,173,090	-2,227,470	-54,380
Net Total	4,149,710	4,178,930	29,220
National Park Grant	-4,092,790	-4,163,190	-70,400
Reserves	56,920	15,740	-41,180
Changes in OE since the FRASC Report			£
Revised Salary Estimates			-56,220
Increase in Lettings - Levisham			-10,000
Increase in Lettings - The Old Vicarage			-15,000
Increase in Lettings - Sutton Bank			-3,990
Increase in Insurance Costs			5,000
Savings in Corporate Costs			-15,000
Visitor Survey			8,000
Small variance in Visitor Centres			4810
Finance Contract			62,130
Income to offset secondment of Director of Corporate Services			-58,780
Property and Performance Indicator contracts			10,000
Sutton Bank Play Area			16,000
Community Champions			1,500
Capital			
Receipts – Sale of Vehicles			-20,000
Expenditure - Purchase of new vehicles			100,000
Increase in National Park Grant			-70,400
			-41,180

- 6.2 Since the meeting of FRASC in February officers have discussed the timing of the replacement of the pool fleet and volunteers vehicles which are now 6 years old. The decision to replace had been delayed pending the confirmation of the settlement figures, however, it is now considered expedient to progress with the replacement. It is estimated that the cost will be £100,000 but this will be partially offset by capital receipt from sale of the existing vehicles.
- 6.3 The budget assumptions have also been amended to reflect the revised arrangements for the provision of financial services from 1 April 2016.

7. Future Budget Pressures and Opportunities

- 7.1 The happy position for the development of the next full Business Plan is that the overall budget position now looks more stable than it has done for nearly a decade. The context of a loss of around 40% of core grant should not be forgotten however. More effort is now going into raising income, and while there are many more volunteers and apprentices than in previous years, these invaluable components of our workforce have allowed us to expand in some areas and not others. Capacity is now a key issue in certain areas..
- 7.2 At December NPA Members indicated that they thought the drive to increase income generation should be maintained. This implies a situation where over a fifth of the Authority's income is regularly coming from 'earned' sources and over a fifth from external grant aid. This is an exciting prospect - but will inevitably tie a good part of our work to grant aided programmes and income generating activities. This work needs feeding with the right skills, capital and ideas. If our Planning work was less efficiently run and our corporate core was not shrunk to minimum then our flexible cash would be really limited – but they are – so Members have the opportunity to look at the Management Plan and decide if how and when they wish to alter the Authority's priorities and can back this with resources of both cash and labour.
- 7.3 There are some known impending extra costs. The Living Wage will have a small immediate direct cost but could have a considerably bigger indirect cost if there is pressure to maintain differentials between current grades. The increase in National Insurance has been factored into the budget but there may well be increases in pension contributions since our scheme, unlike the main national ones, is not funded from general taxation. There are also costs that go with opportunities, such as potential investment at Sutton Bank and the National Park Trust.
- 7.4 It should also be remembered that there is considerable additional work if the York Potash development proceeds – both in terms of ensuring the work proceeds according to plan, with minimum impact but also in terms of the full mitigation and compensation package, which is a massive undertaking in terms of landscape and habitat restoration/creation and tourism promotion.
- 7.5 Finally, there is the new power of competence which allows us to be much more confident around new revenue streams and commercial activities which help fulfil our purposes.

8. Financial and Staffing Implications

- 8.1 These are covered in the main part of the report.

9. **Contribution to National Park Management Plan**

9.1 The aim of the report is ultimately to minimise the harm done to the implementation of the Management Plan by the difficult budget situation.

10. **Legal Implications**

10.1 The Authority has to set a balanced budget by 31 March 2016 and this report is part of the process to be undertaken in order to ensure that this is done.

11. **Recommendation**

11.1 That Members note the proposals for the budget 2016/17 and contents of this report, and approve the budget including the allocation of reserves in section 5.

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Background papers to this Report

Finance Risk Audit and Standards Committee – Budget 16/17

Business Plan

Chancellors Autumn Statement

Confirmation of National Park Grant

File ref.

FUNCTION	Col. 1	Col.2	Col. 3.
	2015/16 Revised Estimate	Draft OE 2016/17	Difference RE 15/16 & OE 16/17
Conservation Natural Environment			
Woodlands & Trees	4,000	4,000	0
Income	0	0	0
Net Expenditure	4,000	4,000	0
Moorland	26,160	26,160	0
Income	-21,750	-31,750	-10,000
Net Expenditure	4,410	-5,590	-10,000
Wetlands & Water	118,320	112,490	-5,830
Income	-121,900	-102,500	19,400
Net Expenditure	-3,580	9,990	13,570
Farmed Land	280,400	245,000	-35,400
Income	-65,000	0	65,000
Net Expenditure	215,400	245,000	29,600
Biodiversity and Wildlife Conservation	43,000	43,000	0
Income	0	0	0
Net Expenditure	43,000	43,000	0
Employees	301,710	297,810	-3,900
Recharges	154,500	138,140	-16,360
Gross Expenditure	928,090	866,600	-61,490
Income	-208,650	-134,250	74,400
NET TOTAL	719,440	732,350	12,910
Conservation Cultural Heritage			
Buildings	29,170	29,170	0
Income	-25,870	0	25,870
Net Expenditure	3,300	29,170	25,870
Archaeology	73,130	54,080	-19,050
Income	-54,970	-45,580	9,390
Net Expenditure	18,160	8,500	-9,660
Enhancement Schemes	141,010	650,970	509,960
Income	-96,360	-430,930	-334,570
Net Expenditure	44,650	220,040	175,390
Conservation Areas	11,230	11,230	0
Local Culture & Tradition	2,500	2,500	0
Employees	99,820	98,640	-1,180
Recharges	73,850	66,030	-7,820
Gross Expenditure	430,710	912,620	481,910
Income	-177,200	-476,510	-299,310
NET TOTAL	253,510	436,110	182,600
Recreation Management			
National Trails	132,740	131,940	-800
Income	-108,860	-108,860	0
Net Expenditure	23,880	23,080	-800
Access to Open Land	369,230	309,980	-59,250
Income	-72,000	-59,000	13,000
Net Expenditure	297,230	250,980	-46,250
Visitor Mgt & Facilities	59,900	64,900	5,000
Car Parks	119,870	126,320	6,450
Income	-410,520	-395,520	15,000
Net Expenditure	-290,650	-269,200	21,450
Targeted Outreach	24,720	24,820	100
Income	-7,000	-7,000	0
Net Expenditure	17,720	17,820	100
Employees	127,420	129,470	2,050
Recharges	287,800	257,330	-30,470
Gross Expenditure	1,121,680	1,044,760	-76,920
Income	-598,380	-570,380	28,000
NET TOTAL	523,300	474,380	-48,920
Promoting Understanding			
Visitor Centres	563,050	533,740	-29,310
Income	-242,550	-236,740	5,810
Net Expenditure	320,500	297,000	-23,500
Info & Interp Services	353,110	288,320	-64,790
Income	-319,810	-212,110	107,700
Net Expenditure	33,300	76,210	42,910
Education Service	75,390	77,540	2,150
Income	-17,100	-17,100	0
Net Expenditure	58,290	60,440	2,150
Employees	195,710	187,640	-8,070
Recharges	260,180	232,630	-27,550
Gross Expenditure	1,447,440	1,319,870	-127,570
Income	-579,460	-465,950	113,510
NET TOTAL	867,980	853,920	-14,060

FUNCTION	Col. 1	Col.2	Col. 3.
	2015/16 Revised Estimate	Draft OE 2016/17	Difference RE 15/16 & OE 16/17
Rangers & Volunteers			
Ranger Services	198,890	204,060	5,170
Maintenance Teams	253,310	187,400	-65,910
Income	-35,000	0	35,000
Net Expenditure	218,310	187,400	-30,910
Volunteers	198,480	203,600	5,120
Income	-4,440	-4,480	-40
Net Expenditure	194,040	199,120	5,080
Recharges	159,690	142,780	-16,910
Gross Expenditure	810,370	737,840	-72,530
Income	-39,440	-4,480	34,960
NET TOTAL	770,930	733,360	-37,570
Development Management			
Development Management	370,110	80,110	-290,000
Employees	389,740	402,540	12,800
Recharges	194,580	173,980	-20,600
Gross Expenditure	954,430	656,630	-297,800
Income	-587,750	-284,750	303,000
NET TOTAL	366,680	371,880	5,200
York Potash			
Gross Expenditure	0	100,000	100,000
Income	0	-100,000	-100,000
NET TOTAL	0	0	0
Forward Planning			
National Park Mgt Plan	0	3,000	3,000
Statutory Devt Plans	13,000	65,000	52,000
Local Studies & Plan	39,500	39,500	0
Income	0	0	0
Net Expenditure	39,500	39,500	0
Minerals Policy			
Sustainable Development Fund	72,400	72,400	0
Income	-15,130	-15,360	-230
Net Expenditure	57,270	57,040	-230
Employees	70,950	89,070	18,120
Recharges	50,090	44,790	-5,300
Gross Expenditure	245,940	313,760	67,820
Income	-15,130	-15,360	-230
NET TOTAL	230,810	298,400	67,590
Corporate and Democratic Core			
Support Staff Costs	385,720	378,050	-7,670
Office Accommodation	67,650	57,650	-10,000
Income	-25,000	-40,000	-15,000
Net Expenditure	42,650	17,650	-25,000
Support Supplies & Servs	287,850	294,850	7,000
Income	-18,000	-20,000	-2,000
Net Expenditure	269,850	274,850	5,000
Contracted in Services	126,070	200,200	74,130
Democratic (Cttee) Costs	77,620	76,880	-740
Change Management	133,800	45,000	-88,800
New Income Streams	-3,000	-43,000	-40,000
Corp Mgt & Admin (Emp)	334,870	357,370	22,500
Income	0	-52,790	-52,790
Net Expenditure	334,870	304,580	-30,290
Recharges	-1,180,690	-1,055,680	125,010
Gross Expenditure	232,890	354,320	121,430
Income	-46,000	-155,790	-109,790
NET TOTAL	186,890	198,530	11,640
Capital			
Gross Expenditure	0	100,000	100,000
Income	0	-20,000	-20,000
NET TOTAL	0	80,000	80,000
Gross Expenditure	6,171,550	6,406,400	34,850
Gross Income	-2,252,010	-2,227,470	144,540
NET TOTAL	3,919,540	4,178,930	179,390
Funded by:			
NPG	-4,092,790	-4,163,190	-70,400
Reserves			
Match Funding Reserve - TEL		-250,000	-250,000
Carry Forward Projects 14/15	-119,980	0	119,980
From (-) / To Reserves In Year	293,230	234,260	-58,970
Net transfer to reserves	173,250	-15,740	-188,990
	-3,919,540	-4,178,930	-259,390
Budget After Grants	0	0	0